THE MOLSON COMPANIES

# MOLSON 1981

Our 195th Year

**The Molson Companies Limited** is a diversified Canadian company employing over 13,000 people in communities across Canada and over 30 countries around the world. One of Canada's oldest companies, the Molson organization comprises the following:

## BREWING GROUP

**Molson Breweries of Canada Limited—** Molson Breweries of Canada Limited operates ten breweries in seven Canadian provinces. Its operating divisions are: Molson Newfoundland Brewery Limited; Molson's Brewery Quebec Limited; Molson's Brewery (Ontario) Limited; Molson's Western Breweries (1976) Limited; and Molson Breweries International.

Molson produces and markets 21 brands in Canada, including two national brands (Export, Canadian) and three multi-regional brands (Golden, Light, Brador). Export, Canadian and Golden are also distributed to 30 U.S. states.

*Number of Employees: 4,124*
*Sales revenues for the year ended March 31, 1981: $749.5 million*

## CHEMICAL SPECIALTIES GROUP

**The Diversey Corporation—** The Diversey Corporation is a leading worldwide organization marketing chemical specialty products and systems to industrial, institutional and commercial users.

Diversey produces and markets over 1,000 chemical specialty products, including cleaning and sanitizing compounds, bactericides, lubricants, polishers, deoxidizers and metal surface protectors.

Diversey has plants in 33 countries and markets its products in over 100 countries. These activities are supported by major research and development facilities in the United Kingdom, Canada and the United States, and 12 other strategically located technical centres.

*Number of Employees: 4,753*
*Sales revenues for the year ended March 31, 1981: $405.1 million*

## RETAIL AND DISTRIBUTION GROUP

**Beaver Lumber Company Limited—** Beaver Lumber Company Limited is the largest lumber, building materials and related hard-goods dealer in Canada.

Beaver's operations encompass two distinct lines of business: "Home Centres", situated in major urban centres and offering a broad range of merchandise geared primarily to the "do-it-yourself" home improvement market; "Building Centres", serving smaller markets and deriving a major portion of their revenues from the sale of lumber and building materials to contractors and rural customers.

Beaver Lumber has 237 owned, franchised, or joint-ventured stores from British Columbia to Quebec, which operate under the Beaver, Le Castor bricoleur, Wentworth/Beaver, C.B.S., Biltrite, Saveway and Aikenhead names.

*Number of Employees: 2,234*
*Sales revenues for the year ended March 31, 1981: $327.2 million*

**Willson Office Specialty Ltd.—** Willson Office Specialty Ltd. is the leading Canadian commercial and retail distributor of business and educational products, supplies, and related office furniture, planning and design services.

Willson's operations span the country and encompass three major divisions: Retail and Education Marketing; Business Supplies; Business Environments. The Retail and Education Marketing division includes 63 Willson Retail Stores, 11 Teachers' Stores, and the Moyer Education Supplies catalogue operation.

The Business Supplies division serves small, medium and large commercial customers. The Business Environments division markets office furniture, and office planning and design products and services.

*Number of Employees: 1,017*
*Sales revenues for the year ended March 31, 1981: $99.7 million*

**Seaway/Midwest Ltd.—** Seaway/Midwest Ltd. is Canada's largest public warehousing and distribution company, providing storage, warehousing, distribution, cartage, freight consolidation, break-bulk, cross-dock and other special distribution services, through a network of 28 warehouses (with a total of 3 million square feet) and cartage facilities in eight Canadian cities.

*Number of Employees: 917*
*Sales revenues for the year ended March 31, 1981: $31.3 million*

## MOLSON AROUND THE WORLD

| | Sales Revenues ($ Millions) | Capital Employed ($ Millions) | Shareholders | Employees |
|---|---|---|---|---|
| **World Totals** | $1,616.4 | $626.4 | 9,823 | 13,170 |
| **Canada Totals** | $1,181.7 | $467.5 | 9,489 | 8,925 |
| *% of World Total*—Canada | 73% | 75% | 97% | 68% |
| *% of Canada Total*—West | 31% | 33% | 28% | 31% |
| *% of Canada Total*—Ontario | 42% | 41% | 45% | 39% |
| *% of Canada Total*—Quebec | 24% | 24% | 24% | 26% |
| *% of Canada Total*—Atlantic | 3% | 2% | 3% | 4% |

# Financial Highlights

| | 1981 | 1980 |
|---|---|---|
| **Operations** ($ millions): | | |
| Revenues | **$1,623.5** | $1,395.4 |
| Earnings before extraordinary item | **39.9** | 50.9 |
| **Per share** ($): | | |
| Earnings before extraordinary item | | |
| —Basic | **2.84** | 3.65 |
| —Fully diluted | **2.76** | — |
| Dividends paid | **1.44** | 1.26 |
| **Financial position** ($ millions): | | |
| Working capital | **154.9** | 89.1 |
| Total assets | **863.6** | 706.1 |
| Long-term debt | **213.3** | 102.2 |
| Shareholders' equity | **293.4** | 274.0 |
| Return on shareholders' equity (average) | **14.0%** | 19.9% |

## ANNUAL MEETING

The annual meeting of the shareholders will be held in the Salon Viger at Le Chateau Champlain, Montreal, Quebec, on June 25, 1981 at 11:30 a.m. EDT.

## RAPPORT ANNUEL

Si vous désirez recevoir ce rapport en français veuillez vous adresser au Secrétaire, case postale 1600, Place d'Armes, Montréal, Québec H2Y 3L3.

## CONTENTS

# Directors' Report to Shareholders

Consolidated revenues for the year increased 16.3 per cent from $1,395.4 million last year to a new high of $1,623.5 million. However, due to the impact of adverse economic conditions in Canada and the United States, costly work stoppages in our Brewing operations, and higher interest costs and corporate tax rate, earnings before extraordinary item declined to $2.84 per share, from $3.65 last year.

Following five consecutive years of record high earnings, this year's result is, of course, disappointing. However, we are confident that our businesses are fundamentally sound, and we fully expect that the Corporation will return to its recent pattern of earnings growth in the coming year.

Major developments during the past year included:

- The acquisition of the chemical specialties business of BASF Wyandotte Corporation, effective April 1, 1980. This addition to our Chemical Specialties Group has increased market coverage and penetration, and has strengthened customer support capability in the North American and certain other world markets.
- The participation by Beaver Lumber Company Limited in two joint ventures to increase market penetration in the greater Hamilton and Montreal areas respectively, and the acceleration of Beaver's franchising program with the addition of 24 franchises during the year.
- The negotiation of separate collective agreements covering our breweries in six provinces, two of which were reached only after lengthy work stoppages.
- The successful placement of a $75 million 8½% Convertible Subordinated Debenture issue, in September 1980, enabling the Corporation to reduce short term borrowings.
- An increase in the annual dividend rate from $1.32 to $1.44 per share.

**Operating Highlights**

In Canada, sales volume of our Brewing business declined 4.5 per cent for the year compared to an industry decline of 4.9 per cent, primarily due to industry-wide work stoppages in Alberta and British Columbia. The effect of these work stoppages was relatively more significant to Molson because of our high market share in Alberta. Nevertheless, Molson Breweries of Canada Limited maintained its position as the leading Canadian brewer for the year in total.

Sales revenues of our worldwide Chemical Specialties operations increased 69 per cent to $405.1 million, reflecting The Diversey Corporation's overall strength in the industry and the effect of business acquisitions. Earnings were also substantially ahead of last year. Diversey continued to be a market leader in Europe and, as a result of the Wyandotte acquisition, significantly increased its presence and capability in both North America and Latin America.

Our Retail and Distribution businesses were particularly affected by the low level of economic activity and high interest and mortgage rates in Canada.

Beaver Lumber recorded only a 4.3 per cent increase in total system sales revenues, including franchises, to $366.2 million, but the growth in major urban Home Centre sales was encouraging. Earnings were well below last year, primarily due to: lower sales to building contractors and farm customers through Building Centres located in small and rural markets; strong competitive pressure on margins; and the costs associated with the closure of 34 smaller, uneconomic stores.

Sales revenues of Willson Office Specialty Ltd. increased 12.9 per cent. However, the business experienced an operating loss for the year, reflecting a decline in office furniture sales, and increased selling and distribution costs.

Seaway/Midwest Ltd., our public warehousing and distribution subsidiary, achieved encouraging growth in sales revenues for the year and recorded an operating profit.

The performance of each of our businesses is reviewed in more detail in the Operating Review and Financial Review sections of this Annual Report.

**Capital Spending**

During the year, $70.7 million was spent on capital projects, compared to $53.5 million for the previous year. Of this amount, $46.8 million was invested in Brewing operations, primarily for capacity expansion. Diversey's expenditures totalled $17.2 million, principally for expanded production and distribution facilities in North America and Europe. Total capital spending for fiscal 1981 was reduced somewhat from the originally planned level, in recognition of weakening business conditions in general and some softening in the rate of growth of the U.S. imported beer market.

During the coming year, capital spending is expected to increase modestly to $73.2 million. Approximately two-thirds will be in Brewing, mainly to complete major projects already underway. In addition, Chemical Specialties capital spending will increase slightly over last year as productive capacity is expanded and upgraded to meet growing demand and new market opportunities. Capital spending within the Retail and Distribution businesses will be at lower than normal levels during fiscal 1982.

**Corporate Development**

In the past year, we have paid particular attention to the internal consolidation and strengthening of our businesses. The grouping of Beaver Lumber, Willson Office Specialty and Seaway/Midwest into a Retail and Distribution Group recognizes the

similarity of management skills, control systems requirements, and operating environments of these businesses.

We now have three major business groups—Brewing, Chemical Specialties and Retail and Distribution—each of which is a sizeable entity in itself. The Executive Vice Presidents who head the Groups are primarily concerned with the overall strategic direction and development of their respective operations.

We continue to examine new business opportunities as they arise, with particular emphasis, in the short term, on those which would complement and strengthen our existing businesses. With a view to gaining exposure to a number of business opportunities of longer term interest, the Corporation, during the past year, made its first relatively modest investments of a venture capital nature.

**Human Resources**

The increasingly international nature of our operations is reflected by the fact that 32 per cent of our employees are located outside of Canada, with 8 per cent in the United States, and 17 per cent in the United Kingdom and continental Europe. During the past year, the number of full-time employees increased from 12,481 to 13,170.

Some 39 per cent of our work force is covered by collective labour agreements. Generally, the labour relations climate throughout the company is good. However, we regret the serious human and financial costs of the work stoppages in our Brewing operations in Alberta and British Columbia, which occurred last summer in the course of negotiating industry-wide agreements in those provinces. We are very much aware of the need to direct our efforts toward the maintenance and enhancement of a healthy and productive working environment in all areas of the Corporation's activities, but especially in those areas where work stoppages have taken place recently.

**Directors and Officers**

The Honourable J. B. Aird resigned from our Board of Directors on June 30, 1980, in order to take office as the Lieutenant-Governor of the Province of Ontario. Lieutenant-Governor Aird, with his broad experience and vision, made a valuable contribution to our Board during the six years of his membership. Mr. R. M. Barford, President, Valleydene Corporation Limited, Toronto, Ontario, was appointed to the Board in May, 1981, to fill the vacancy left by the resignation of Lieutenant-Governor Aird.

We also wish to extend our deep appreciation to Mr. R. C. McPherson, recently appointed Dean of the Graduate School of Business, Stanford University, California, who has felt it necessary not to stand for re-election to the Board of Directors at the upcoming Annual Meeting.

During the year, Mr. A. G. McCaughey resigned as Senior Vice President, Finance, to become President of the North American Life Assurance Company, but continues as a member of our Board of Directors.

Several corporate officer appointments were made during the year. In October, 1980, M. McCammon, L. R. Sinclair, and A. L. Keyworth were appointed Executive Vice Presidents of the Brewing, Chemical Specialties, and Retail and Distribution Groups respectively. Also during the year, S. L. Hartley, formerly Senior Vice President, Planning and Control, was appointed Senior Vice President, Finance; D. V. Pleshoyano, formerly Executive Vice President, Operations, Molson Breweries of Canada Limited, became Senior Vice President, Planning and Development; and D. V. M. Hull was appointed Controller.

In addition, a number of senior operating management appointments were made, including E. H. Molson as President, Molson Breweries of Canada Limited; A. C. Plant as President, Beaver Lumber Company Limited; and D. K. Wilson as President, Willson Office Specialty Ltd.

**Outlook**

Economic predictions for the coming year in Canada and other industrialized countries are pessimistic, anticipating lower than average rates of economic growth, and continuing high inflation and interest rates. Undoubtedly therefore, the environment in which our various businesses operate will remain difficult.

Under these circumstances, our overall emphasis in the coming year will be on the continuation of our efforts to strengthen our existing businesses. In our Brewing Group, this means that our efforts will be directed at maintaining our market leadership in Canada and increasing our penetration of the U.S. market. Our Chemical Specialties Group will concentrate on maintaining its market momentum with a commensurate increase in earnings. In our Retail and Distribution Group, the primary objective will be to improve the profitability and return on capital of the businesses in that Group, through a combination of improved marketing and merchandising programs, and tight control of inventories and operating costs.

As we enter our 196th year, we are confident that these efforts will enable the Corporation to maintain a satisfactory rate of sales revenue growth, and to return to the previous pattern of growth in earnings and return on shareholders' equity.

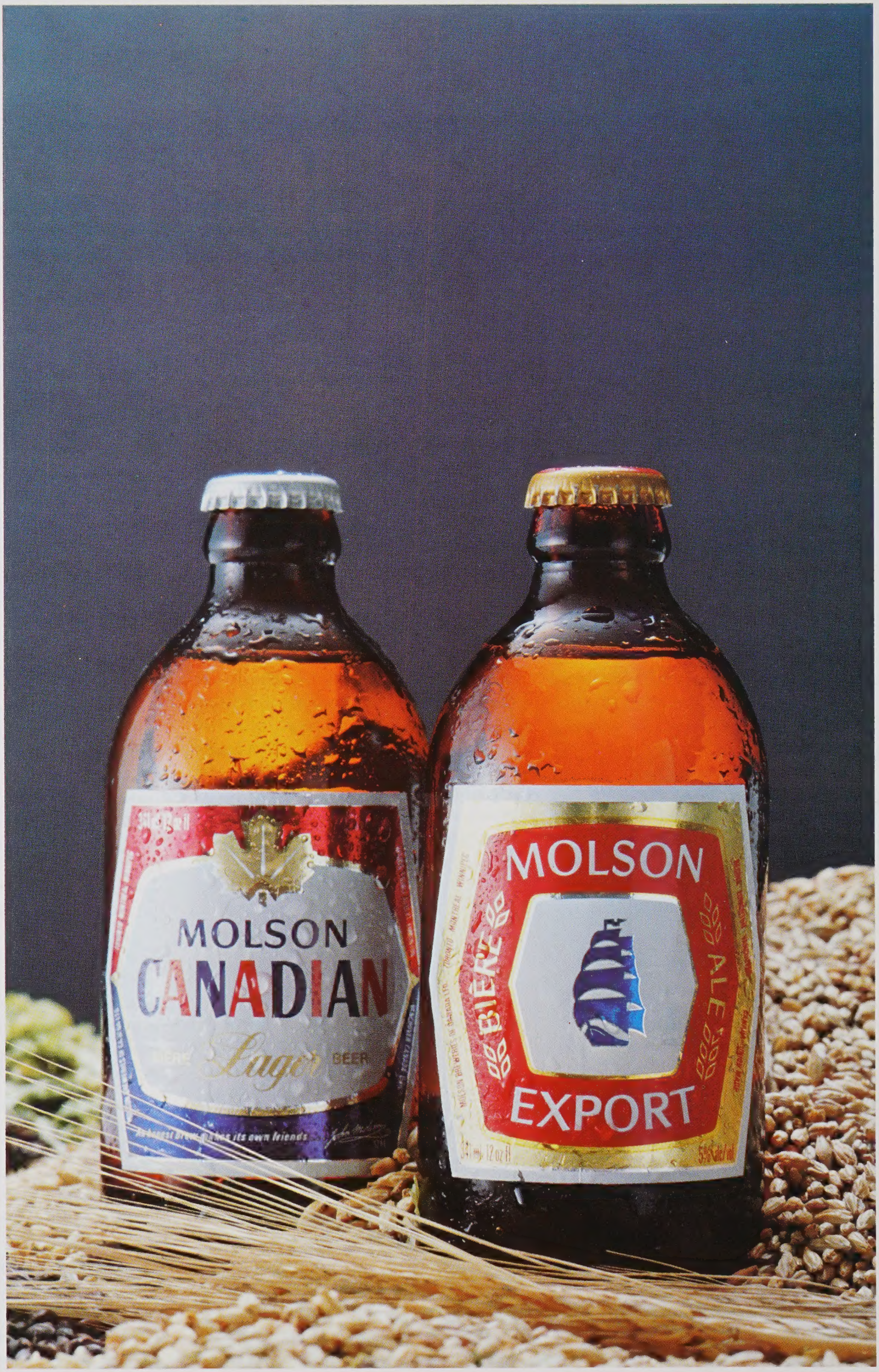
On behalf of the Board:

*D. G. Willmot*
*Chairman of the Board*

*J. T. Black*
*President and Chief Executive Officer*

May 25, 1981

*Molson Export ale and Molson Canadian lager, our two national brands, are leaders in their respective markets.*



# Brewing Group

The 195th year of Molson brewing operations was one of continued progress. Total sales revenues of Molson Breweries of Canada Limited increased 9.4 per cent from $685.2 million to $749.5 million, notwithstanding prolonged industry-wide work stoppages in Alberta and British Columbia, and a levelling off of export sales to the United States. We also experienced sharp increases during the year in the prices of barley and hops, and continuing inflationary pressures on other costs and expenses, resulting in earnings at approximately the same level as last year.

In Canada, industry sales volume decreased 4.9 per cent, primarily due to the effect of the industry-wide work stoppages. While Molson sales volume declined by 4.5 per cent over the same period, the company remained the leading brewer in Canada for the year in total. Market shares in Newfoundland, Quebec, Ontario and British Columbia reached levels that have been unequalled in recent years. In addition, the company maintained its market leadership in Alberta and Saskatchewan.

Our two national brands are Molson Export, for many years a leading ale in Canada, and Molson Canadian, which has achieved significant growth in the lager market. The company's multi-regional brands—Molson Golden, Molson Light and Brador—are achieving popularity with increasing numbers of consumers. Molson Light's trading area has recently been expanded to include Alberta, Manitoba and Quebec, in addition to Newfoundland, Ontario and Saskatchewan. Molson Golden is distributed primarily in Ontario, Saskatchewan and Alberta, while Brador is available in Quebec, Ontario and British Columbia.

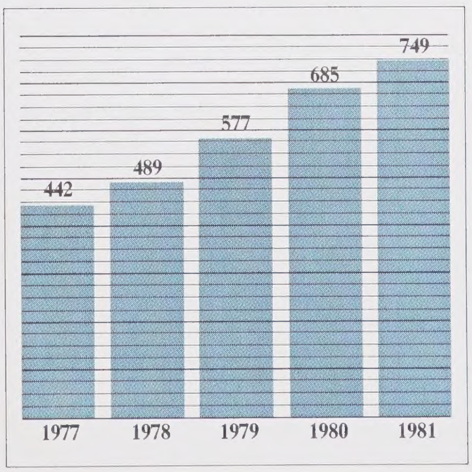
These national and multi-regional brands are complemented by strong local brands which are brewed to meet unique consumer preferences in various provinces. Noteworthy among these brands are Laurentide in Quebec, Pilsner in Alberta and Saskatchewan, Old Style in British Columbia, and India in Newfoundland. Laurentide, for example, now ranks among the four best-selling brands in Quebec and is the fastest growing brand in that market.

The seven-month work stoppage in Alberta, which ended in February, 1981, and the two-month work stoppage in British Columbia, which ended in September, 1980, were regrettable and extremely costly. However, the collective bargaining agreements signed in Alberta and British Columbia, as well as those negotiated earlier in the year, without work disruptions, in Newfoundland, Quebec, Ontario and Manitoba, represent long-term settlements within each province. Since year end, an industry-wide collective agreement has also been signed in Saskatchewan.

In the United States, Molson brands continued to have the second largest share of the imported beer market, and are now available in 30 states. Golden, Export and Canadian are marketed in the United States, with Golden being our most popular brand.

Sales revenues increased by 8.9 per cent and sales volume again exceeded one million hectolitres. However, Molson U.S. sales volume was slightly lower than last year, largely because of depressed economic conditions in the northeast United States, which constitutes a significant portion of Molson's current U.S. market area. Nevertheless, we are confident that Molson's sound base and popularity in the United States will ensure that the slight decline in sales volume is a temporary slowdown in an otherwise

*(left to right) J. P. Rogers, Executive Vice-President, Molson Breweries of Canada Limited; E.H. Molson, President, Molson Breweries of Canada Limited; M. McCammon, Executive Vice-President, Brewing Group and Chairman, Molson Breweries of Canada Limited.*




*Sales Revenues—Brewing Group ($ millions)*

long-term growth trend, and that the U.S. market still represents a significant growth opportunity for us.

A number of major capital expenditure projects were either initiated or continued during the year, and all will be completed in the coming year, including expansion projects at Vancouver, Edmonton and Barrie. Total capital spending in the past year was $46.8 million and $48.1 million is planned for fiscal 1982.

It is clear that Molson Breweries' continuing success is attributable to its ability to develop and market products which obtain a high level of acceptance among various consumer segments. In the North American brewing industry, history has shown that no amount of marketing and promotion will be successful if the product does not consistently meet the high standards of quality and taste that consumers expect. For Molson, this means a continued commitment to field research of consumer preferences, and to excellence in the art of brewing, starting with the basic natural ingredients—water, barley and hops—and carrying right through the brewing process to the final bottling and distribution stages.

The development and marketing of a range of products for different consumer segments depends heavily on sophisticated market research. Once a market opportunity is identified, the company's brewing and marketing personnel carry out a lengthy process of product testing and development to ensure that the final product has the specific attributes that a particular market segment desires.

Molson brewmasters are recognized leaders in their field, and go through a lengthy and comprehensive training and apprenticeship program before reaching the status of master brewer. This developmental program includes extensive studies in the art of brewing and practical experience in the many stages of the brewing and packaging process. Their experience and knowledge ensure that the natural ingredients used in brewing result in high quality products with flavours and characters that are pleasing to the consumer.

Molson's marketing programs include national and regional advertising vehicles, coupled with the efforts of its sales representatives in virtually all communities across the country. In addition to the long-standing sponsorship of Hockey Night in Canada, Molson continues to expand its identification with popular sports teams and events. In particular, our association with the Montreal Canadiens Hockey Club and the Montreal Forum was mutually beneficial, in spite of the fact that it was less than a banner year for the team. The first, and highly successful, Molson Tennis Challenge was held during the year, and we look forward to a continued relationship with this prestigious event.

The company also solidified its position with regard to the long-term future of professional soccer in Canada by establishing a North American Soccer League (NASL) franchise known as Le Manic de Montréal, and entering into an agreement for broadcast and promotional rights with the NASL Calgary Boomers. During the year, Molson also entered into similar agreements with the Calgary Flames Hockey Club and Vancouver Canadians of the Pacific Coast Baseball League.

Molson's established ability to develop and market high quality products of broad consumer appeal forms a sound foundation for the future. The outlook for growth in Canada and for Canadian exports to the U.S. is positive, and we are confident of our ability to maintain our market leadership as that growth is realized.

*The map shows the major Molson national, multi-regional and local brands sold across the country.*

*(left) Laurie Turner, brewhouse operator, at the control panel of the automated brewhouse in Edmonton. (above) Robert Andruchow oversees the packing process at the end of the high speed bottling line.*

*(right) Bruce McGillivray, (facing), Ontario Manager Dairy Division, Diversey Wyandotte Inc., in discussion with Jim Connolly, production manager of a major Toronto dairy. (above) Mr. McGillivray, checks the Diversey-designed control panel for a clean-in-place sanitizing system at the dairy.*

# Chemical Specialties Group

The Diversey Corporation had a very successful year, during which sales of cleaning and sanitizing products and systems to industrial, institutional and commercial users continued to show significant growth. Sales revenues were $405.1 million, an increase of 69 per cent over the previous twelve month period, reflecting not only market share growth but also the acquisition of the chemical specialties business of BASF Wyandotte Corporation, effective April 1, 1980. Earnings were also substantially ahead of last year.

The acquisition of Wyandotte has substantially increased Diversey's market penetration in North America and a number of overseas markets. It has also significantly strengthened Diversey's ability to offer industrial engineering support to its customers. By March 31, 1981, the integration in North America was completed, with companies under the Diversey Wyandotte name operating in Canada and the United States. Steady progress was also made during the year in integrating the smaller Wyandotte operations in Latin America and other export markets.

In Europe, sales revenues increased 39 per cent, which includes the full year effect of having acquired the remaining 50 per cent of Diversey France S.A. in December, 1979. Our companies in France, Spain, Italy, Sweden, Finland and Portugal experienced strong sales growth. The outlook for Europe is promising and reflects Diversey's long-established leadership in serving this area. Growth will result from increased penetration of traditional markets, which will be achieved through the ongoing development of effective marketing programs, and successful engineering and product applications.

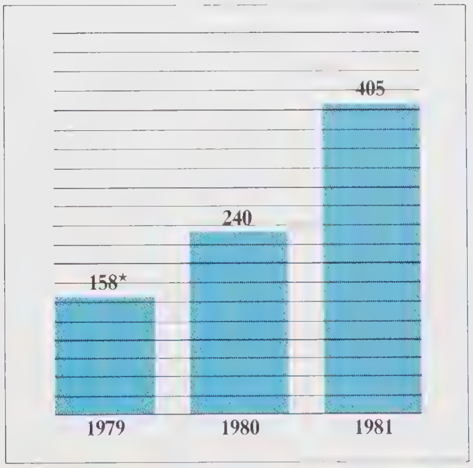
In North America, sales revenues increased substantially, up 112 per cent from the previous year, due to growth in the company's various markets as well as the Wyandotte acquisition. In Canada, where Diversey Wyandotte is a market leader, sales revenues increased 39 per cent. The prospects for growth in North America are very positive. This will be attained by utilizing the complementary strengths of Diversey and Wyandotte to improve market coverage in the United States, and to strengthen our ability to serve multinational customers in the institutional, food processing, beverage and metals segments.

In Latin America, sales revenues increased 119 per cent from the previous year. Brazil continued to produce excellent sales growth and increased market penetration. In Venezuela, primarily as a result of the Wyandotte acquisition, the company's operation in this important Latin American market was enlarged and improved. In Argentina, a new company was established, utilizing Wyandotte's operations as a base. Latin America represents one of the greatest potential areas for future growth. This will be achieved by growth in existing operations and expansion into a number of countries where Diversey does not currently have a presence.

In the Pacific and Far East, sales revenues increased 20 per cent. Singapore experienced encouraging sales growth, and our companies in Australia and New Zealand ended the year well, having overcome earlier adverse economic conditions. A new joint venture was established in the Philippines and Diversey is currently examining a similar arrangement for its operation in Japan. The growth potential of the Pacific and Far East is significant, and will be realized by increasing Diversey's geographic and market penetration.

During the past year, capital expenditures of $17.2 million were

*(left to right) L. R. Sinclair, Executive Vice-President, Chemical Specialties Group and Chairman, The Diversey Corporation; and J. Perry, President, The Diversey Corporation.*




*Sales Revenues—Chemical Specialties Group ($ millions) *10 months only*

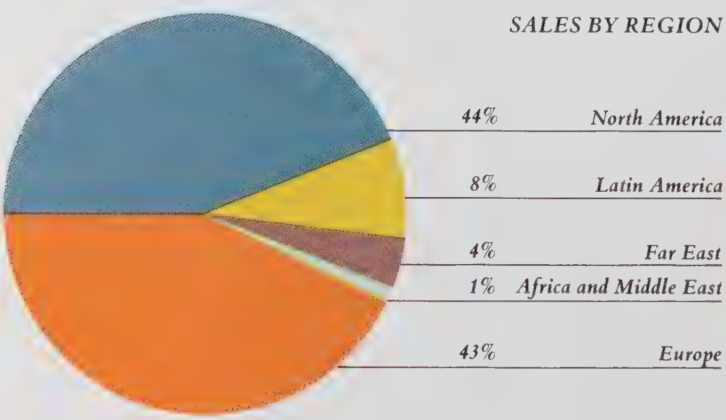
made, primarily to expand production and distribution facilities in North America and Europe, in order to support their increasing levels of business. These expenditures produced improved economies of scale and established a firm foundation for future growth. During the coming year, capital expenditures of $18 million are planned. Major projects include the expansion of facilities in Canada, Denmark, France and Singapore.

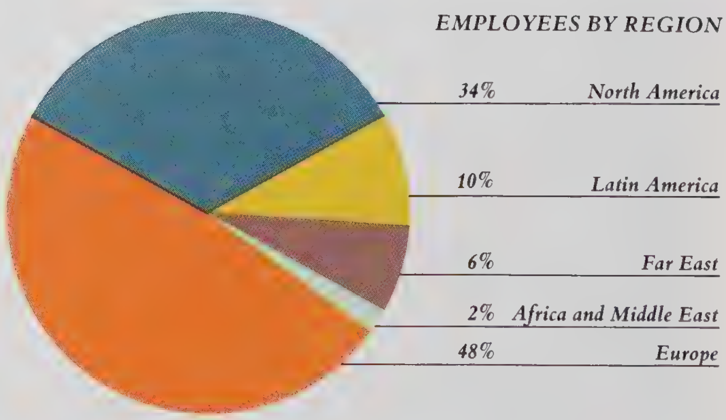
Diversey's impressive overall performance and growth are based on its ability to meet the present and future needs of its customers through a combination of research and development, knowledge of the industries in which it is active, engineering and design capability, and a range of high quality products. Diversey's salesforce represents nearly half of its total of approximately 4,800 employees. These highly trained industry specialists bring their knowledge and expertise to the industries they serve, and thus are able to deal with a range of problems and opportunities in terms that are important to the customer. Emphasis is placed on achieving increased economies, reduced energy usage, and improved environmental conditions.

Diversey's worldwide sales and marketing effort is supported by a network of regional laboratories and local technical centres. The three regional laboratories, which are located in the United Kingdom, Canada and the United States, focus their attention on major long-term projects related to the development of new technologies. In addition, there are 12 technical centres, strategically located around the world, whose role is to develop applications for existing technologies, and new products suitable for the regulatory and operational environments of specific countries. As well, quality control facilities are contained within every Diversey plant to ensure that its products meet customer requirements and Diversey's high standards.

Among the many projects now underway at Diversey laboratories worldwide are the development of comprehensive systems for cleaning and sanitizing operations, low temperature dishwashing and dairy pipeline cleaning, protective coatings for returnable bottles, and defoamers for the pulp and paper industry.

Looking to the future, worldwide markets for chemical specialties offer exceptional growth opportunities for Diversey. In areas of the world where Diversey is an established market leader, this growth will come from serving all segments of traditional markets, and the rapid and effective marketing of new product technologies and systems. This will be supplemented by entry into new and associated industry market segments. A substantial portion of Diversey's growth will also come from increased penetration and development of new geographic areas. We are confident that Diversey's impressive record of growth will continue in the coming year.




## Diversey Around the World


*(left) Clem Sagert, a paint line supervisor with Alcan Building Products in New Westminster, B.C., lifts a rack of aluminum window frames from a Diversey Wyandotte treatment bath. (above) Joe Gray, Supervisor, Hospital Division, Diversey Wyandotte Inc., is seen with Ann Fleming, Food Service Manager, and Jeremy George in the kitchen of Sunnybrook Medical Centre in Toronto.*



*(right) Bill Pearson, an experienced hardware salesman at the Beaver Home Centre in Victoria, B.C., with customer Michael Thomas. (above) Franchisee Ken Havens of Collingwood, Ontario, discusses a lumber order with customer Chester Lawrence.*

# Retail and Distribution Group

The impact of low economic growth in Canada, coupled with high inflation and interest rates, was strongly felt by our retail businesses during the past year. High mortgage rates, the decline in housing starts, and the general low level of construction activity and related major purchases, adversely affected the sale of lumber, building materials and related hard goods in particular. Total sales revenues of the three businesses that make up our Retail and Distribution Group increased 2.1 per cent to $458.2 million, but earnings were substantially lower than last year.

**Beaver Lumber Company Limited**

Beaver Lumber Company Limited sales revenues of $327.2 million were 2.1 per cent below last year, primarily due to the impact of store closures and the conversion of company-owned stores to franchises. However, total Beaver system sales revenues, including franchised store operations, registered a modest 4.3 per cent increase to $366.2 million. This lower than normal level of growth, combined with the effect of competitive pressures on operating profit margins and the cost of store closures, resulted in earnings well below the level of last year.

The operations of Beaver Lumber encompass two distinct lines of business—Home Centres and Building Centres. At year end, there were 38 company-owned Home Centres, 7 franchised Home Centres, 145 company-owned Building Centres and 47 franchised Building Centres.

The sales growth of Beaver Home Centres was generally encouraging during the past year in spite of economic conditions. The Home Centres are all located in major urban markets, offer a broad range of merchandise, and appeal to the "do-it-yourself" home improvement customer. These stores are operated as a specialty chain with centrally coordinated assortment planning, purchasing and marketing.

During the coming year, the operations of Beaver Home Centres will emphasize improved merchandising and inventory control, assisted by the planned installation of electronic point-of-sale equipment in all stores; the continuation of the company's programs to maintain a high level of product knowledge and experience among its sales staff; and the provision of a broad range of consumer education materials to its customers. We expect that Home Centres will continue to achieve steady growth in sales revenues and to make a satisfactory contribution to Beaver's earnings.

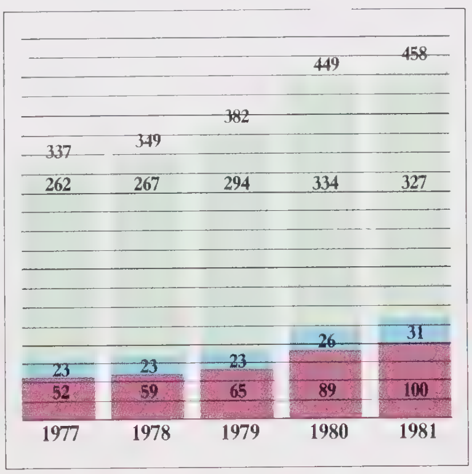
The performance of Beaver Building Centres was severely affected by the general economic environment, aggravated by drought conditions in Western Canada last summer. These stores serve smaller markets and derive a major portion of their revenues from the sale of lumber and building materials to contractors and rural customers. Because of the geographic and occupational diversity of their clientele, Building Centres are operated on a decentralized basis with each store having a unique community profile and assortment mix. During the course of the year, it was necessary to close 32 smaller Building Centres in markets where the sales levels and prospects for growth made their operation uneconomical.

Beaver's franchising program is a key element in improving the return on capital employed in the Building Centre operation, while increasing market penetration and improving the quality of store management and service in medium and small markets. The commitment of owner-managers to identify with and meet the specific customer needs of the local markets in which they operate, is usually reflected in improved sales performance of franchised operations.

During the past year, Beaver increased its number of franchises from 30 to 54. Of these new franchises, 14 were conversions of existing Beaver stores and 10 were in new markets where the company was not previously represented. The aggressive growth in the number of franchises will continue in the year ahead.

In addition, during the year Beaver undertook two significant joint ventures designed to provide entry into new major markets. The company entered into an agreement with Wentworth Lumber Ltd., covering four Wentworth stores and two Beaver stores in the Hamilton/Burlington area, which now operate under the name of Wentworth/Beaver. In addition, Beaver agreed to convert six Renovaprix stores

*(left to right) D. K. Wilson, President, Willson Office Specialty Ltd.; A. L. Keyworth, Executive Vice President, Retail and Distribution Group, and Chairman of the three operating companies in the Group; A. C. Plant, President, Beaver Lumber Company Limited; and N. M. Seagram, President, Seaway/Midwest Ltd.*




*Sales Revenues—Retail and Distribution Group ($ millions)*

in the province of Quebec into franchised stores operating under the Le Castor bricoleur name. Five of these stores are in the greater Montreal area and increase to 11 Beaver's presence in this major market area, while the other outlet is in Sherbrooke.

In the coming year, Beaver's overall performance is expected to register significant improvement. This improvement will be based on: the company's established leadership in the "do-it-yourself" home improvement market; the continuation of the franchising and joint venture programs; the refinement of inventory control and merchandising systems; and the expectation of some improvement in the economic conditions affecting construction and building activity.

### Willson Office Specialty Ltd.

Sales revenues of Willson Office Specialty Ltd. grew 12.9 per cent during the past year to $99.7 million. This reflected increases in sales from retail operations and from the distribution of business and education supplies. However, revenues from open office planning and the sale of office furniture were below last year. This modest increase in overall revenues, combined with a higher level of selling and distribution costs, resulted in an operating loss for the year.

Willson retail stores experienced sales revenues growth of 19.8 per cent during the year. Eight new stores were opened, and five others relocated, bringing the total of Willson retail stores to 63 at year end. Willson maintained its leadership in the Western Canada retail stationery market, and increased its penetration in Eastern Canada, particularly in Toronto and Montreal. The design and merchandise mix of the Willson retail stores are tailored to the specific market that each store serves, depending on their location in office towers, central business districts, or suburban shopping centres.

Moyer Educational Supplies sales revenues increased 15.4 per cent during the year. Three new Teacher's Stores were opened, raising the total of these stores to 11. The Moyer catalogue operation, which serves educational institutions across the country, also continued to grow. The positive performance of Moyer is a reflection of its underlying operational strength and its ability to market its products effectively, despite the decline in overall school enrollment.

The Business Supplies Division sales revenues increased 21.5 per cent over last year. This growth reflects the soundness of the division's product mix and its ability to provide substantial administrative economies and efficiencies to large and medium-sized customers.

The Business Environments Division, which serves the market for office furniture and open office systems, experienced a year of consolidation, with sales revenues down 11 per cent. Demand for traditional office furniture was generally weak across the country. By year end, the number of Willson furniture showrooms serving this market had been reduced to 12 major business centres, down from 15 at the end of fiscal 1980.

In the coming year, Willson's efforts will be directed at continuing its sales momentum, while improving its internal systems, customer service, and control of inventories and expenses. No major new expansion will occur until an acceptable level of earnings has been assured. We are confident that Willson's established strength in the markets it serves will enable the company to achieve this objective.

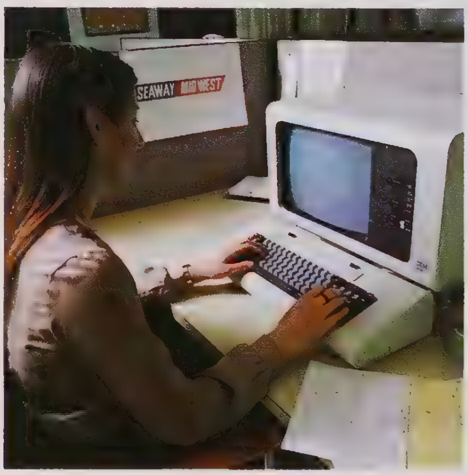
### Seaway/Midwest Ltd.

During the past year, sales revenues of Seaway/Midwest Ltd., generated from over 300 clients through 28 distribution centres from St. John's to Vancouver, increased 19.1 per cent over last year to $31.3 million, and a modest profit was achieved.

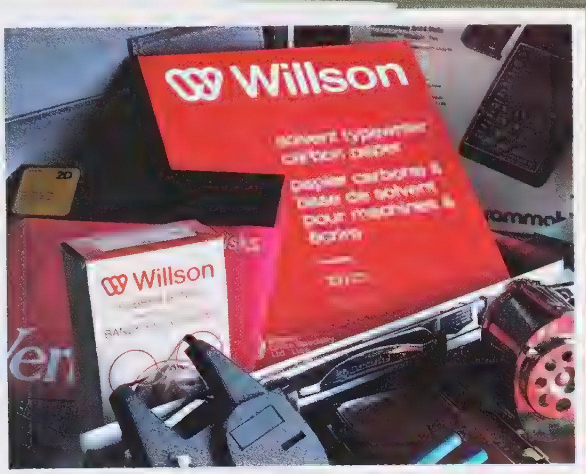
Several factors contributed to this improved performance. Seaway/Midwest was able to improve operating margins by introducing more cost-sensitive price structures, and by increasing the utilization of warehouse space, labour and equipment. A variety of new clients were attracted to the benefits offered by the company's unique expertise in the distribution of pharmaceuticals, controlled drugs, cosmetics, toiletries and other small package products. Also, additional warehouse capacity was added to meet increased customer demands in Western Canada.

In the coming year, Seaway/Midwest expects to maintain the revenue growth of the past year, and to improve further its profit margins.


*Beaver Lumber Company is celebrating its 75th anniversary in 1981. At the left is the company's original logo and the logo created to commemorate the 75th anniversary.*




*Lori Rotchik enters an order into Seaway/Midwest's customer information system at the Inkster Park distribution centre in Winnipeg.*





*(right) One of Willson's 63 retail stores. (above) A sampling of products available both in Willson retail stores and through the Business Supplies Division.*

# Financial Review

### Consolidated Statement of Earnings

Total revenues for the fiscal year 1981 were $1,623.5 million, an increase of 16.3 per cent over last year. Net earnings for the year were $37.9 million or $2.70 per share, after recognizing an extraordinary loss of $2.0 million arising from the write-off of preferred shares and a promissory note received as part of the proceeds of sale of the Vilas Furniture Division, in fiscal year 1979.

Earnings before extraordinary item for the year were $39.9 million or $2.84 per share compared to $50.9 million or $3.65 per share, last year. The weighted average number of shares outstanding during the year were 14,032,000 compared to 13,949,000 last year. The increase was primarily due to shares issued during the year under the Shareholders' Optional Stock Dividend Plan.

On September 4, 1980 the Corporation issued $75 million of 8½% Convertible Subordinated Debentures, the proceeds of which were used to retire short-term indebtedness. As a result of this debenture issue, earnings per share are reported on both a basic and fully diluted basis. Fully diluted earnings per share for 1981 were $2.76 per share, before extraordinary item.

Other income of $7.1 million includes our share of the net income of Canada Malting Co., Limited (14 per cent owned) which is the principal supplier of malt to our Brewing business, interest and rental income, and franchise income earned by Beaver Lumber.

Total interest expense increased to $31.9 million from $20.9 million last year. This increase reflects additional borrowings for business acquisitions and investments, plus the fact that average interest rates during fiscal year 1981 were significantly above those of the previous year.

Net earnings in 1981 included foreign exchange losses of $1.7 million, compared to $1.9 million last year. These losses are principally unrealized and largely resulted from the translation to Canadian dollars of assets and liabilities recorded in foreign currencies.

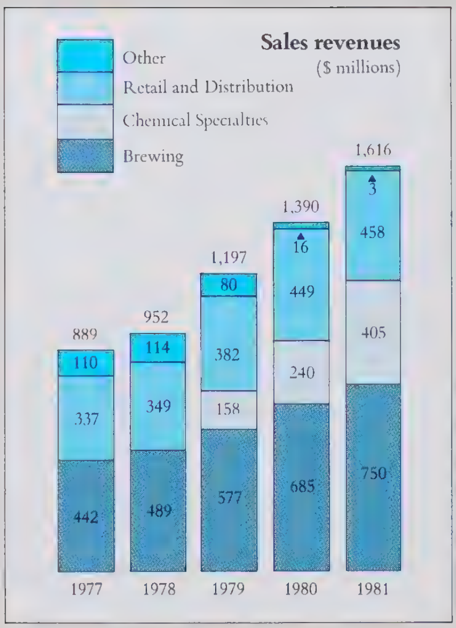
The 1981 consolidated income tax rate increased to 42.1 per cent from 39.6 per cent last year. The principal factors giving rise to this increase were the cost in 1981 of the Federal 5% Corporate Surtax, and the reduction of taxes in fiscal year 1980 caused by credits which arose from changes in tax laws in the United Kingdom. Our consolidated tax rate will be subject to year to year fluctuations, reflecting the tax rates in the various countries around the world in which Molson operates and the different rates of tax applicable to our individual businesses.

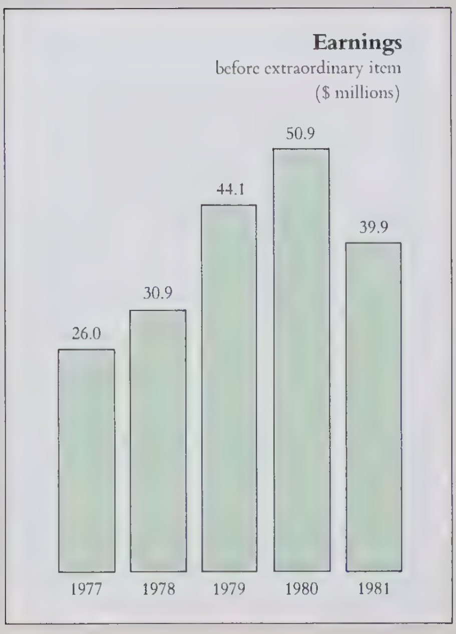
### Consolidated Balance Sheet

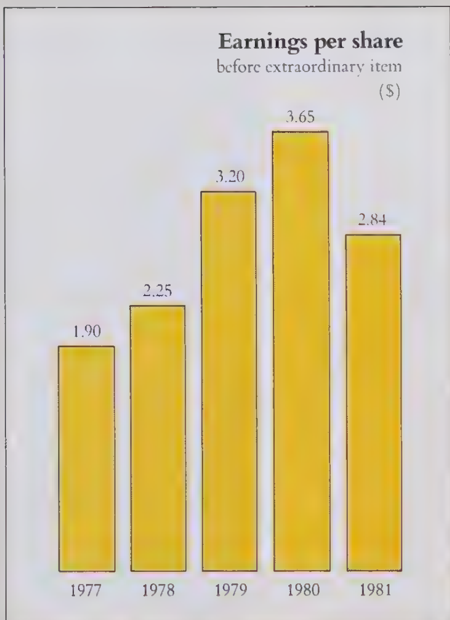
In fiscal year 1981, total assets of the Corporation increased by 22.3 per cent to $863.6 million, reflecting the growth of our businesses and the acquisition of the chemical specialties business of the BASF Wyandotte Corporation.

Investments of $40.3 million include our interest in Canada Malting, and notes receivable and preferred shares which were part of the proceeds from businesses previously divested. The increase since last year is related mainly to further joint venture investments by Beaver Lumber, broadcasting and promotional rights of certain sports enterprises, and venture capital investments.

Fixed assets less accumulated depreciation of $314.5 million, increased by $53.9 million during the year, reflecting the Wyandotte acquisition and capital spending for additional productive capacity in both Brewing and Chemical Specialties.



Long-term debt of $213.3 million compares to $102.2 million last year. This net increase of $111.1 million includes the $75 million 8½% Convertible Subordinated Debentures and loans incurred to finance the purchase of investments and business acquisitions.

**Consolidated Statement of Changes in Financial Position**

During the year, working capital increased by $65.8 million to $154.9 million. Working capital provided from business operations in the year was $75.1 million, virtually unchanged from last year. An additional $129.3 million of working capital was provided from other sources, principally long-term borrowing of $114.6 million, including the $75 million 8½% Convertible Subordinated Debentures, and sales of fixed assets of $6.9 million. In total, sources of working capital were $204.4 million.

Working capital totalling $138.6 million was used principally for capital spending; the purchases of investments; business acquisitions; and cash dividends to shareholders.

**Segmented Financial Information**

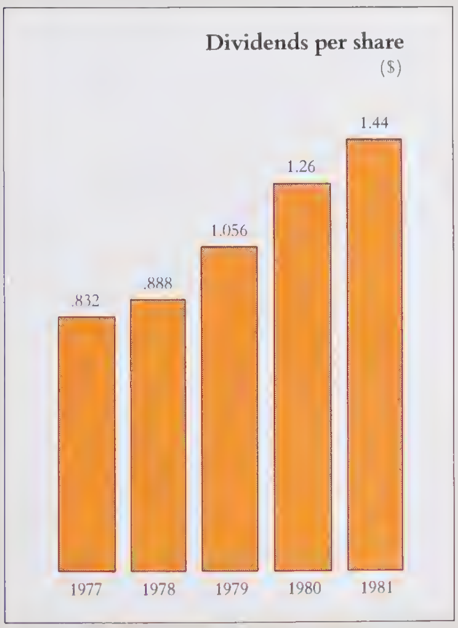
The financial information in this Annual Report has been expanded to provide a more complete and informative analysis of our operations by industry and geographic segment. The information is presented on pages 18 and 19, in two parts. The first, Financial Information by Industry and Geographic Segments, forms part of our audited financial statements for the first time and is referred to in note 11 to the Consolidated Financial Statements. The second part, Additional Financial Information by Industry, is unaudited and provides supplementary information about our business operations.

The industry segment data shows growth in sales revenue from Brewing operations, despite the work stoppages in Alberta and British Columbia, which reduced operating profits before income taxes by approximately $18 million. The substantial growth in sales revenues and operating profit in our Chemical Specialties Group reflects growth in major markets, the acquisition of Wyandotte, and the full year benefit of having acquired the remaining 50 per cent of Diversey France S.A. in December, 1979. However, the Wyandotte acquisition had a temporary negative impact on return on capital employed. The operating profit of Retail and Distribution is down considerably from last year due to disappointing results from both Beaver Lumber and Willson Office Specialty, both of which were adversely affected by general economic conditions.

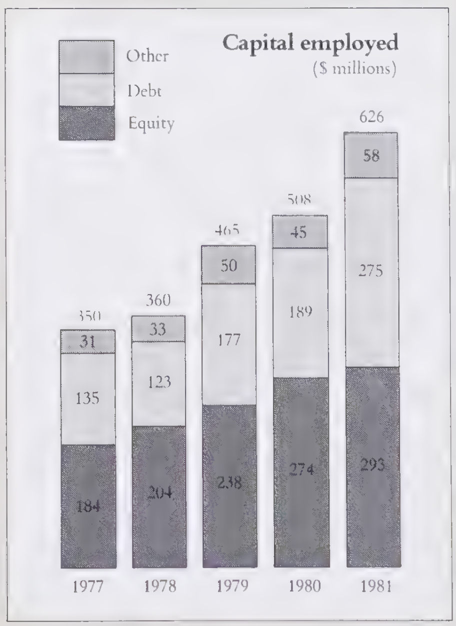
The geographic information reflects the international scope of our business. The Canada data shows a decline in profit, primarily due to the impact of the Brewing work stoppages and the reduced operating profits of our Retail and Distribution Group. Sales revenues in the U.S.A. increased significantly, due mainly to the Wyandotte acquisition. However, profitability declined, due to the impact of Wyandotte's first year of operation and certain one-time costs of integration. In addition, operating profits reflect the lack of growth in our sales of beer to the United States market during the year in the face of increased operating costs.

It should be noted that the economic benefit to Molson of U.S. beer sales is substantially greater than the amount included in the U.S.A. geographic segment. The profit derived from beer sales to the United States is after charging a markup on beer exported by our breweries in Quebec and Ontario and a royalty of $3.8 million for the use of Molson trademarks, etc.

The results of operations in Europe demonstrate the continuing growth of our Chemical Specialties operations in that area, although economic conditions combined with high interest rates, in some countries, have placed pressure on profit margins.







# Segmented Financial Information and Inflation Accounting

The financial information which follows, includes both Financial Information by Industry and Geographic Segments and Additional Financial Information by Industry. The Financial Information by Industry and Geographic Segments provides certain basic data about our business segments, and forms part of our audited consolidated financial statements, for the first time.

The Additional Financial Information by Industry relates the net operating income of each segment to capital employed, stated at net book value and at estimated replacement cost. This additional information does not form part of the financial statements and has not been audited.

Commentary on the segmented information can be found in the Financial Review on page 17.

### Replacement Cost Data

There have been many studies of the effects of inflation on business results and the various methods by which businesses could report the effects of changing price and cost levels on their operations. An exposure draft on current cost accounting has been issued by the Canadian Institute of Chartered Accountants. However, the proposals are still at a discussion stage and, pending finalization of an accounting recommendation on this issue, replacement cost information should be used with caution, since the data is by nature subjective and methods can and do vary from one corporation to another.

In computing return on average capital employed at estimated replacement cost, net operating income has not been adjusted for inflationary effects. The use of current cost accounting instead of historic values could be expected to have a negative effect on income measurement as well as a significant impact on the balance sheet of a corporation.

The data for capital employed at estimated replacement cost was developed on a basis consistent with prior years, and is calculated by either applying an index to prior years data or using one of the following methods:

**Land—**Stated at historic costs as shown on the consolidated balance sheet.

**Buildings—**Replacement costs were estimated using one of the following methods:

Cost per unit of output—An engineering estimate based on production capacities of existing plants.

Unit cost method—Estimated current building cost per square foot for the size and type of building which would replace the existing facility.

Indexing method—National and provincial cost indices published by a leading business publication firm applied to detailed cost records.

**Equipment—**Replacement costs were estimated using one of the following methods:

Cost per unit of output—An engineering estimate based on production capacities of existing plants.

Direct pricing—Current prices of equipment manufacturers.

**Accumulated depreciation—**Calculated on the replacement costs of buildings and equipment at the same rates used in the consolidated balance sheet.

**Working capital, investments and other assets—**Stated at historic costs as shown on the consolidated balance sheet.

**Notes**

Note 1

Segment Operating Profit is segment sales revenues less expenses which are directly attributable to each segment. Segment expenses do not include general corporate expenses, interest expense and income taxes.

Segment Operating Profit is reconciled in total to earnings before extraordinary item, through the table of Additional Financial Information by Industry and the "Reconciliation of net operating income and earnings".

Note 2

Income Taxes in the consolidated statement of earnings of $30.1 million (1980-$34.6 million) includes income taxes applicable to the industry segments of $44.8 million (1980-$43.1 million) less amounts applicable to interest expense of $14.7 million (1980-$8.5 million).

Note 3

Net Operating Income is after allocating to segments, corporate expenses (net) on the basis of sales revenues, income taxes at the rate applicable to each segment, and is before charging interest expense and minority interest.

Note 4

Capital Employed at Net Book Values of each segment consists of directly identifiable assets less current liabilities, exclusive of short-term borrowings and corporate items.

Note 5

U.S.A. Segment Operating Profit is after charging both a markup on beer imported from Canada and a royalty of $3.8 million (1980-$3.5 million) for the use of Molson trade marks, etc., pursuant to existing contractual agreements. The 1980 Segment Operating Profit has been restated to conform with the 1981 basis of allocation of costs between U.S.A. and Canada.

**Reconciliation of net operating income and earnings**

| (Dollars in millions) | 1981 | 1980 |
|---|---|---|
| Net operating income (3) | **$58.7** | $65.0 |
| Interest expense | **(31.9)** | (20.8) |
| Income tax on interest expense (2) | **14.7** | 8.5 |
| Minority interest | **(1.6)** | (1.8) |
| Earnings before extraordinary item | **$39.9** | $50.9 |

**Reconciliation of capital employed and total assets**

| (Dollars in millions) | 1981 | 1980 |
|---|---|---|
| Capital employed at net book values (4) | **$605.3** | $492.1 |
| Corporate items | **21.1** | 16.4 |
| Total capital employed | **626.4** | 508.5 |
| Current liabilities | **290.1** | 278.4 |
| Short term borrowings | **(52.9)** | (80.8) |
| Total assets | **$863.6** | $706.1 |

# Financial Information by Industry and Geographic Segments (Audited)

(Dollars in millions)

| | Consolidated | | Brewing | | Chemical Specialties | | Retail & Distribution | | Other | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | INDUSTRY SEGMENTS | | | | | | | |
| | **1981** | 1980 | **1981** | 1980 | **1981** | 1980 | **1981** | 1980 | **1981** | 1980 |
| Sales to Customers | **1,616.4** | 1,390.5 | **749.5** | 685.2 | **405.1** | 239.7 | **458.2** | 448.8 | **3.6** | 16.8 |
| Inter-Segment Sales | **—** | — | **—** | — | **1.3** | 1.1 | **—** | — | **—** | — |
| | **1,616.4** | 1,390.5 | **749.5** | 685.2 | **406.4** | 240.8 | **458.2** | 448.8 | **3.6** | 16.8 |
| Segment Operating Profit (1) | **106.1** | 111.5 | **76.5** | 76.0 | **28.6** | 19.2 | **1.0** | 15.3 | **—** | 1.0 |
| Identifiable Assets | **831.7** | 676.5 | **352.4** | 272.4 | **241.7** | 171.7 | **237.6** | 222.8 | **—** | 9.6 |
| Corporate Assets | **31.9** | 29.6 | | | | | | | | |
| Total Assets | **863.6** | 706.1 | | | | | | | | |
| Capital Expenditures | **70.7** | 53.5 | **46.8** | 31.7 | **17.2** | 13.9 | **6.4** | 7.7 | **0.3** | 0.2 |
| Capital Leases | **6.3** | 7.6 | **4.0** | 3.5 | **0.2** | 1.1 | **2.1** | 3.0 | **—** | — |
| Depreciation | **27.7** | 22.7 | **13.6** | 12.0 | **8.6** | 5.7 | **5.3** | 4.5 | **0.2** | 0.5 |

| | Consolidated | | Canada | | U.S.A. | | Europe | | Other | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | GEOGRAPHIC SEGMENTS | | | | | | | |
| | **1981** | 1980 | **1981** | 1980 | **1981** | 1980 | **1981** | 1980 | **1981** | 1980 |
| Sales to Customers | **1,616.4** | 1,390.5 | **1,181.7** | 1,104.4 | **204.4** | 121.1 | **175.5** | 132.5 | **54.8** | 32.5 |
| Inter-Segment Sales | **—** | — | **62.2** | 55.4 | **—** | — | **—** | — | **—** | — |
| | **1,616.4** | 1,390.5 | **1,243.9** | 1,159.8 | **204.4** | 121.1 | **175.5** | 132.5 | **54.8** | 32.5 |
| Segment Operating Profit (1) | **106.1** | 111.5 | **84.8** | 94.1 | **3.0** (5) | 3.5 | **13.6** | 11.7 | **4.7** | 2.2 |
| Identifiable Assets | **831.7** | 676.5 | **625.6** | 523.6 | **55.6** | 18.8 | **111.8** | 110.5 | **38.7** | 23.6 |

# Additional Financial Information by Industry (Unaudited)

(Dollars in millions)

| | Consolidated | | Brewing | | Chemical Specialties | | Retail & Distribution | | Other | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **1981** | 1980 | **1981** | 1980 | **1981** | 1980 | **1981** | 1980 | **1981** | 1980 |
| Sales Revenues | **1,616.4** | 1,390.5 | **749.5** | 685.2 | **405.1** | 239.7 | **458.2** | 448.8 | **3.6** | 16.8 |
| Segment Operating Profit (1) | **106.1** | 111.5 | **76.5** | 76.0 | **28.6** | 19.2 | **1.0** | 15.3 | **—** | 1.0 |
| Corporate Expenses (net) | **(2.6)** | (3.4) | **(1.2)** | (1.5) | **(0.7)** | (0.9) | **(0.7)** | (1.0) | **—** | — |
| Income Taxes (2) | **(44.8)** | (43.1) | **(33.3)** | (31.3) | **(13.7)** | (6.6) | **2.2** | (4.8) | **—** | (0.4) |
| Net Operating Income (3) | **58.7** | 65.0 | **42.0** | 43.2 | **14.2** | 11.7 | **2.5** | 9.5 | **—** | 0.6 |
| Capital Employed at Net Book Values (4) | **605.3** | 492.1 | **252.4** | 206.7 | **182.6** | 129.2 | **170.0** | 150.2 | **0.3** | 6.0 |
| Return on Average Capital Employed | **10.6** | 13.9 | **18.3** | 21.6 | **9.1** | 10.1 | **1.6** | 6.5 | **—** | 1.5 |
| Capital Employed at Estimated Replacement Cost | **858.2** | 715.5 | **464.7** | 395.9 | **201.8** | 145.0 | **191.4** | 167.9 | **0.3** | 6.7 |
| Return on Average Capital Employed | **7.4** | 9.7 | **9.7** | 11.5 | **8.1** | 9.4 | **1.0** | 6.3 | **—** | 1.3 |

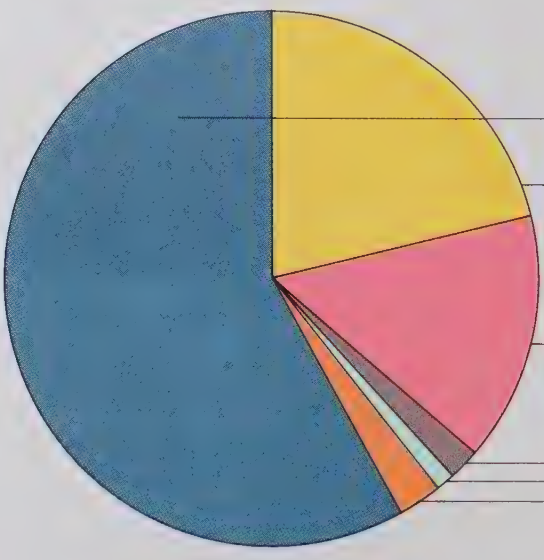
# Allocation of Revenues

The impact of Molson operations on the various sectors of the economy is broader than is apparent through a review of the consolidated financial statements. The chart and accompanying explanation illustrate how Molson revenues generated during the current fiscal year were distributed. This data includes some estimates and is unaudited.

Of the $1,623 million in total revenues in fiscal year 1981, approximately 97 per cent was returned to various sectors of the economies in which Molson operates around the world, as follows:

- Companies and individuals which supplied Molson businesses with goods and services accounted for 58 per cent of total revenues, or approximately $945 million.
- Molson employees across Canada and around the world received $341 million, or 21 per cent of total revenues in wages, salaries and benefits.
- Governments at all levels received tax payments from Molson totalling $237 million, or 15 per cent of total revenues.
- Interest payments on monies borrowed to finance the operation of the business were $32 million, or 2 per cent of total revenues.
- Shareholders received $20 million, or 1 per cent of total revenues in dividend payments as a return on their investments in the Corporation.

$48 million, or 3 per cent of total revenues was retained in the business. This includes the earnings for the year plus the amount set aside for the depreciation and amortization of productive assets, less dividends paid to shareholders. This income retained in the business will be used to operate and expand the Corporation, thus strengthening its base for future sales and earnings growth. This amount is less than would normally be required to finance the future growth of our businesses and reflects the reduced level of earnings in the current fiscal year.



| | *1981* | | *1980* | |
|---|---|---|---|---|
| | *$ Millions* | *%* | *$ Millions* | *%* |
| ***Payments to Suppliers*** | ***945*** | ***58*** | *812* | *58* |
| ***Wages, Salaries and Benefits*** | ***341*** | ***21*** | *266* | *19* |
| ***Tax Payments to Governments*** | ***237*** | ***15*** | *220* | *16* |
| ***Interest Payments*** | ***32*** | ***2*** | *21* | *2* |
| ***Dividends*** | ***20*** | ***1*** | *18* | *1* |
| ***Retained in the business*** | ***48*** | ***3*** | *58* | *4* |
| ***Total Revenues*** | ***1623*** | ***100*** | *1395* | *100* |

**Allocation of Revenues**

# Responsibilities for Consolidated Financial Statements

Management of the Corporation is responsible for the information and representations contained in the consolidated financial statements and other sections of this Annual Report. The consolidated financial statements have been prepared by management in conformity with generally accepted accounting principles, applying certain estimates and judgements as required.

The Corporation maintains an effective system of internal controls which is designed to provide reasonable assurance that assets are safeguarded; that transactions are executed in accordance with management's authorization; and that the financial records are reliable as a basis for the preparation of financial statements. The system of internal controls is augmented by an Internal Audit function which regularly performs audits of the internal controls system, the findings and recommendations of which are acted upon by management.

Coopers & Lybrand, the Corporation's external auditors, are appointed by the shareholders. They review the Corporation's internal controls and perform the necessary tests of accounting records and procedures to enable them to report their opinion as to the fairness of the consolidated financial statements and their conformity with generally accepted accounting principles.

The Audit Committee of the Board is comprised of five Directors. The Audit Committee meets periodically with management, and the external and internal auditors, to review audit recommendations and the matters which the external auditors believe should be brought to the attention of the Board of Directors. The Audit Committee also reviews the consolidated financial statements and recommends their approval to the Board of Directors.

## Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of The Molson Companies Limited as at March 31, 1981 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at March 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

May 25, 1981

Coopers & Lybrand
Chartered Accountants

# Consolidated Statement of Earnings



(Dollars in thousands, except for per share amounts)

| Year ended March 31 | 1981 | 1980 |
|---|---|---|
| **Revenues** | | |
| Sales revenues | **$1,616,401** | $1,390,486 |
| Other income | **7,108** | 4,896 |
| | **1,623,509** | 1,395,382 |
| **Costs and expenses** | | |
| Cost of sales, selling and administrative costs | **1,285,686** | 1,078,681 |
| Brewing excise and sales taxes | **206,658** | 185,925 |
| Depreciation | **27,708** | 22,666 |
| Interest on long-term debt | **20,609** | 11,257 |
| Other interest | **11,270** | 9,595 |
| | **1,551,931** | 1,308,124 |
| **Earnings before income taxes** | **71,578** | 87,258 |
| Income taxes | **30,100** | 34,550 |
| | **41,478** | 52,708 |
| Minority interest | **1,622** | 1,770 |
| **Earnings before extraordinary item** | **39,856** | 50,938 |
| Extraordinary item | **2,000** | — |
| **Net earnings** | **$ 37,856** | $ 50,938 |
| **Earnings per share** | | |
| Before extraordinary item | | |
| Basic | **$2.84** | $3.65 |
| Fully diluted | **$2.76** | — |
| After extraordinary item | | |
| Basic | **$2.70** | $3.65 |
| Fully diluted | **$2.62** | — |

# Consolidated Statement of Retained Earnings

(Dollars in thousands)

| Year ended March 31 | 1981 | 1980 |
|---|---|---|
| **Retained earnings** — beginning of year | **$ 218,849** | $ 185,502 |
| **Net earnings** | **37,856** | 50,938 |
| | **256,705** | 236,440 |
| **Dividends** | | |
| Cash | **18,869** | 16,316 |
| Stock | **1,339** | 1,275 |
| | **20,208** | 17,591 |
| **Retained earnings** — end of year | **$ 236,497** | $ 218,849 |



(see Notes to Consolidated Financial Statements)

# Consolidated Balance Sheet

(Dollars in thousands)



| As at March 31 | 1981 | 1980 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and short-term investments | **$ 22,798** | $ 13,351 |
| Accounts receivable | **179,116** | 138,298 |
| Inventories | **225,849** | 201,909 |
| Prepaid expenses | **17,172** | 13,881 |
| | **444,935** | 367,439 |
| **Investments** | **40,327** | 23,505 |
| **Fixed assets** | **314,502** | 260,579 |
| **Properties under capital leases** | **10,267** | 6,483 |
| **Other assets** — less amortization | | |
| Intangible assets of acquisitions | **51,236** | 47,402 |
| Debenture discount and expenses | **2,305** | 667 |
| | **53,541** | 48,069 |
| | **$863,572** | $706,075 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Bank indebtedness and short-term notes | **$ 62,873** | $ 88,931 |
| Accounts payable | **178,960** | 145,946 |
| Taxes payable | **37,389** | 34,062 |
| Dividends payable | **5,058** | 4,616 |
| Current instalments on long-term debt | **5,780** | 4,820 |
| | **290,060** | 278,375 |
| **Long-term debt** | **213,253** | 102,240 |
| **Obligations under capital leases** | **8,457** | 5,493 |
| **Deferred income taxes** | **44,340** | 35,053 |
| **Deferred income** — less amortization | **2,513** | 3,489 |
| **Deferred liabilities** | **5,106** | 2,882 |
| **Minority interest** | **6,425** | 4,552 |
| | **570,154** | 432,084 |
| **Shareholders' equity** | | |
| **Capital stock** | **56,921** | 55,142 |
| **Retained earnings** | **236,497** | 218,849 |
| | **293,418** | 273,991 |
| | **$863,572** | $706,075 |

Signed on Behalf of the Board: Director D G Gilbert [signature]

Director N Haas [signature]

(see Notes to Consolidated Financial Statements)

# Consolidated Statement of Changes in Financial Position



(Dollars in thousands)

| Year ended March 31 | 1981 | 1980 |
|---|---|---|
| **Sources of working capital** | | |
| Earnings before extraordinary item | **$ 39,856** | $ 50,938 |
| Items not affecting working capital — | | |
| Depreciation and amortization | **30,003** | 24,377 |
| Deferred income taxes | **9,458** | 2,807 |
| Gain on sale of fixed assets | **(3,737)** | (3,278) |
| Loss (gain) on sales of businesses and investments | **(1,643)** | 1,418 |
| Other | **1,207** | (582) |
| Total provided from business operations | **75,144** | 75,680 |
| Proceeds from — | | |
| Sale of fixed assets | **6,909** | 5,681 |
| Sale of businesses (less working capital sold of $3,170; 1980 — $4,907) | **1,214** | 2,453 |
| Disposal of investments | **3,170** | 550 |
| Long-term borrowing | **114,581** | 2,718 |
| Issue of capital stock | **440** | 1,501 |
| Additions to obligations under capital leases (net) | **2,964** | 5,493 |
| | **204,422** | 94,076 |
| **Uses of working capital** | | |
| Cash dividends | **18,869** | 16,316 |
| Investment in fixed assets | **70,659** | 53,536 |
| Purchase of investments | **20,780** | 3,053 |
| Business acquisitions (less working capital acquired of $15,665; 1980 — $4,266) | **16,115** | 3,347 |
| Repayment and current portion of long-term debt | **5,216** | 14,026 |
| Additions to properties under capital leases | **5,978** | 7,623 |
| Reduction of minority interest | **994** | 4,358 |
| | **138,611** | 102,259 |
| **Working capital** | | |
| Increase (decrease) in year | **65,811** | (8,183) |
| At beginning of year | **89,064** | 97,247 |
| Working capital at end of year | **$154,875** | $ 89,064 |



(see Notes to Consolidated Financial Statements)

## 1. ACCOUNTING POLICIES

### Consolidation

The accounts of all subsidiaries are consolidated.

### Foreign exchange

Earnings of foreign operations are translated at the average rate of exchange during the year. Current assets and current liabilities are translated at the March 31 rate and other balance sheet accounts and related depreciation are translated at the rate on the date of acquisition.

### Inventories

Inventories are valued at the lower of cost and net realizable value except for retail lumber inventories, which are valued at the lower of cost and replacement cost, and returnable bottles, which are valued at the lower of deposit value and replacement cost. Cost is determined on a first-in, first-out basis.

### Investments

Investments in companies over which the Corporation exercises significant influence are carried on the equity method. Other investments are carried on the cost basis.

### Fixed assets

Fixed assets are carried at cost. Depreciation is provided from the date assets are put into service on the straight-line method over their estimated useful lives, principally at annual rates of 2½% for buildings and from 7% to 25% for equipment.

### Capital leases

Leases entered into after March 31, 1979 that transfer substantially all of the benefits and risks of ownership of property are classified as capital leases and are recorded as if fixed assets had been purchased and an equivalent debt obligation incurred. The assets so recorded, are described as Properties Under Capital Leases and are depreciated on a straight-line basis. The debt obligations are described as Obligations Under Capital Leases and are reduced by rental payments net of imputed interest. All other leases are accounted for as operating leases and the rental costs are expensed as incurred.

### Intangible assets of acquisitions

Intangible assets of acquisitions after April 1, 1974 are charged to earnings on a straight-line basis over periods not exceeding forty years, except for $12,000,000 of hockey franchises which are not amortized as the Corporation believes there has been no decrease in their value.

### Income taxes

Deferred income taxes represent amounts deferred to future years due to the earlier deduction of certain expenses, principally depreciation, for tax purposes. Investment tax credits are reflected in earnings in the year they are claimed for tax purposes.

## 2. EXTRAORDINARY ITEM

The extraordinary loss of $2,000,000 represents the net value of preferred shares and a promissory note received as part of the proceeds of sale of Vilas Furniture Division in fiscal year 1979. These securities were fully written off when the purchaser of Vilas was placed in receivership.

## 3. EARNINGS PER SHARE

Earnings per share are calculated based on the weighted average number of shares outstanding during the year (1981 – 14,032,000 shares; 1980 – 13,949,000 shares). Earnings per share on a fully diluted basis are calculated by increasing the number of issued shares as if all the Convertible Subordinated Debentures had been converted to Class "A" shares on September 4, 1980, the date of issuance, and by adjusting reported net earnings to remove the after tax effect of the 8½% interest payable on the Convertible Subordinated Debentures.

## 4. BUSINESS ACQUISITIONS

During the year, the Corporation acquired for cash the chemical specialties business of BASF Wyandotte Corporation (effective April 1, 1980), and Le Manic de Montréal, a franchise in the North American Soccer League (effective October 1, 1980).

| (Dollars in thousands) | |
|---|---|
| Net tangible assets acquired | $19,453 |
| Assigned to fixed assets | 6,538 |
| Intangible assets of acquisitions | 5,789 |
| Purchase price | $31,780 |

## 5. INVENTORIES

| (Dollars in thousands) | **1981** | 1980 |
|---|---|---|
| Finished goods | **$166,028** | $153,078 |
| Work in process | **8,273** | 10,704 |
| Raw materials and supplies | **42,542** | 32,208 |
| Returnable bottles | **9,006** | 5,919 |
| | **$225,849** | $201,909 |

## 6. INVESTMENTS

| (Dollars in thousands) | 1981 | 1980 |
|---|---|---|
| Mortgages and loans, at cost | **$ 16,441** | $ 4,195 |
| Investments, on equity method | **9,980** | 6,225 |
| Other investments, at cost | **13,906** | 13,085 |
| | **$ 40,327** | $ 23,505 |

## 7. FIXED ASSETS

| (Dollars in thousands) | 1981 | 1980 |
|---|---|---|
| Land | **$ 28,268** | $ 26,096 |
| Buildings | **191,899** | 163,743 |
| Equipment | **293,420** | 249,017 |
| | **513,587** | 438,856 |
| Accumulated depreciation | **199,085** | 178,277 |
| | **$314,502** | $260,579 |

## 8. LONG-TERM DEBT

| (Dollars in thousands) | 1981 | | 1980 | |
|---|---|---|---|---|
| | **Current** | **Total** | Current | Total |
| Sinking Fund Debentures: | | | | |
| 8¼% maturing in 1991 | **$ –** | **$ 33,806** | $ – | $ 34,222 |
| 8¼% maturing in 1995 | **900** | **26,400** | 900 | 27,300 |
| 5¼% maturing in 1989 | **24** | **119** | 24 | 119 |
| 8½% Convertible Subordinated Debentures maturing in 2000 | **–** | **75,000** | – | – |
| Notes payable: | | | | |
| 9% repayable by 1989 | **1,536** | **13,825** | 1,536 | 15,361 |
| 5¾% repayable by 1985 | **200** | **1,000** | 200 | 1,200 |
| Other | **225** | **2,401** | 175 | 3,836 |
| Term loan maturing December 31, 1986, bearing interest at London Inter-bank Offered Rate plus ⅜% ($51,674 U.S.) | **–** | **61,050** | – | 22,000 |
| Sundry | **623** | **3,160** | 826 | 1,863 |
| | **$ 3,508** | **216,761** | $ 3,661 | 105,901 |
| Current instalments (1) | | **3,508** | | 3,661 |
| | | **$213,253** | | $102,240 |

(1) Included in Balance Sheet with current portion of obligations under capital leases.

Sinking fund requirements and principal payments during the next five years are: 1982 – $3,508; 1983 – $4,314; 1984 – $19,748; 1985 – $19,900; 1986 – $19,802.

The 8½% Convertible Subordinated Debentures are convertible at the holder's option into Class "A" common shares until September 30, 1990, at a price of $38.125 per share, subject to adjustments in certain events.

## 9. CAPITAL STOCK

### Authorized

The Corporation is authorized to issue:

(a) an unlimited number of Class "A" common shares without nominal or par value;

(b) an unlimited number of Class "B" common shares without nominal or par value;

(c) an unlimited number of preference shares without nominal or par value, which shall rank in priority to the common shares and may be issued from time to time in series with the designation, rights, privileges, restrictions and conditions attaching to each series as and in the manner set out in its Articles.

The Class "A" common shares are non-voting except, voting separately and as a class, the holders thereof are entitled to elect three members of the Board of Directors annually. The Class "B" common shares are fully voting.

The Class "A" common shares are entitled to non-cumulative preferential dividends aggregating 20¢ per share per annum. No further dividend can be paid until the Class "B" common shares receive a dividend or dividends aggregating 20¢ per share per annum, and thereafter the Class "A" and Class "B" common shares rank equally as to dividends.

### Issued and outstanding

At March 31, the following common shares were issued and outstanding:

| | 1981 | | 1980 | |
|---|---|---|---|---|
| | **Shares** | **Amount** | Shares | Amount |
| Class "A" Common | **8,959,259** | **$47,705,000** | 8,897,558 | $45,936,000 |
| Class "B" Common | **5,091,269** | **9,216,000** | 5,090,669 | 9,206,000 |
| | **14,050,528** | **$56,921,000** | 13,988,227 | $55,142,000 |

During the year, the following common shares were issued:

| | 1981 Shares | 1981 Amount | 1980 Shares | 1980 Amount |
|---|---|---|---|---|
| Class "A" | | | | |
| Employee Stock Option Purchases | **18,100** | **$ 430,000** | 44,850 | $ 1,060,000 |
| Stock Dividends (1) | **43,601** | **1,339,000** | 51,575 | 1,275,000 |
| Debenture Conversions (2) | **–** | **–** | 19,599 | 417,000 |
| | **61,701** | **$ 1,769,000** | 116,024 | $ 2,752,000 |
| Class "B" | | | | |
| Employee Stock Option Purchases | **600** | **$ 10,000** | 1,350 | $ 24,000 |

### Stock options

At March 31, the following options to employees to purchase common shares were outstanding:

| Expiry Date | 1981 Option Price | 1981 Shares | 1980 Option Price | 1980 Shares |
|---|---|---|---|---|
| Class "A" August 14, 1980 | **–** | **–** | $19.375 | 600 |
| Class "B" August 14, 1980 | **–** | **–** | $17.50 | 600 |
| | | **–** | | 1,200 |
| Class "A" November 27, 1983 | **$23.75** | **17,500** | $23.75 | 34,000 |
| Class "A" April 19, 1984 | **$25.25** | **3,000** | $25.25 | 4,000 |
| | | **20,500** | | 39,200 |

| Common Shares Reserved at March 31: | 1981 | 1980 |
|---|---|---|
| For Employee Stock Options – Class "A" | **254,900** | 273,000 |
| – Class "B" | **5,400** | 6,000 |
| For Optional Stock Dividends – Class "A" | **104,824** | 48,425 |

(1) Issued in payment of dividends under Shareholders' Optional Stock Dividend Plan.

(2) Pursuant to the right, which expired on May 1, 1979, of holders of 5¼% debentures of a subsidiary to convert such debentures into Class "A" shares on the basis of 47 shares per $1,000 debenture.

## 10. LEASES

### Properties under capital leases

Properties Under Capital Leases entered into after March 31, 1979 comprise the following:

| (Dollars in thousands) | 1981 | 1980 |
|---|---|---|
| Land | **$ 180** | $ 180 |
| Buildings | **573** | 764 |
| Equipment | **12,678** | 6,679 |
| | **13,431** | 7,623 |
| Accumulated depreciation | **3,164** | 1,140 |
| | **$10,267** | $ 6,483 |

The capitalized value of buildings and equipment leases is depreciated on the straight-line method using the rates of depreciation applied to fixed assets.

### Lease obligations

The following table discloses minimum rental payments due after March 31, 1981 under all lease commitments together with the present value of the obligations under those capital leases entered into after March 31, 1979. Properties leased include warehouses, retail stores and sports arenas.

| Fiscal Year | Capital leases entered into after March 31, 1979 | Other leases | Total |
|---|---|---|---|
| (Dollars in thousands) | | | |
| 1982 | $ 3,741 | $ 18,446 | $ 22,187 |
| 1983 | 3,339 | 16,138 | 19,477 |
| 1984 | 2,622 | 15,105 | 17,727 |
| 1985 | 1,987 | 14,775 | 16,762 |
| 1986 | 1,510 | 13,978 | 15,488 |
| Thereafter to 2012 | 2,971 | 123,547 | 126,520 |
| Total minimum rental payments | $16,170 | $201,989 | $218,161 |
| Less: Imputed interest | 5,441 | | |
| | 10,729 | | |
| Less: Current portion (1) | 2,272 | | |
| Obligations Under Capital Leases | $ 8,457 | | |

(1) Included in Balance Sheet with current instalments on long-term debt.

### Capital leases entered into prior to April 1, 1979

Certain leases entered into prior to April 1, 1979 and accounted for as operating leases, have the characteristics of capital leases. If these leases had been accounted for as capital leases, Properties Under Capital Leases, less depreciation, and

Obligations Under Capital Leases at March 31, 1981 would have increased by $67,837,000 (1980 – $72,738,000) and $72,482,000 (1980 – $76,052,000) respectively and net earnings would have been reduced by $545,000 (1980 – $865,000) or $0.04 per share (1980 – $0.06).

### 11. SEGMENTED FINANCIAL INFORMATION

Segmented Financial Information which analyses the operations of the Corporation by industry and geographic segments, is provided on pages 18 and 19 of this report. A description of the products and services from which each industry segment derives its revenues is included on the inside front cover.

### 12. ADDITIONAL INFORMATION

**Pension plans**

The funding requirements for current service pension costs, based on actuarial determinations, are charged to earnings. Past service costs are being charged to earnings and funded over periods not exceeding 15 years. The unrecorded unfunded liability for past service pension costs amounted to $23,500,000 at March 31, 1981 (1980 – $22,500,000).

**Foreign exchange**

Net earnings in 1981 include foreign exchange losses of $1,699,000 (1980 – $1,855,000), of which $1,559,000 (1980 – $1,248,000) were unrealized.

**Related party transactions**

The Corporation purchases malt from Canada Malting Co., Limited in which it held a 14% interest at March 31, 1981. These malt purchases are made in the normal course of business and on terms and conditions applicable to unrelated parties. In 1981, such malt purchases amounted to $40,460,000. The amount payable to Canada Malting Co., Limited as at March 31, 1981 was $1,937,000.

# Operating and Financial Record



| | **1981** | 1980 | 1979 | 1978 | 1977 | 1976 | 1975 | 1974 | 1973 | 1972 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operations** ($ millions) | | | | | | | | | | |
| Sales Revenues | | | | | | | | | | |
| Brewing | **749.5** | 685.2 | 577.0 | 489.3 | 442.2 | 408.1 | 357.1 | 296.2 | 260.5 | 232.1 |
| Chemical Specialties | **405.1** | 239.7 | 157.8 | — | — | — | — | — | — | — |
| Retail and Distribution | **458.2** | 448.8 | 381.7 | 349.1 | 336.9 | 300.2 | 279.6 | 228.3 | 174.6 | 60.8 |
| Other | **3.6** | 16.8 | 80.4 | 113.5 | 109.9 | 103.1 | 103.6 | 91.6 | 87.1 | 83.1 |
| Total Sales Revenues | **1,616.4** | 1,390.5 | 1,196.9 | 951.9 | 889.0 | 811.4 | 740.3 | 616.1 | 522.2 | 376.0 |
| Depreciation | **27.7** | 22.7 | 20.8 | 18.2 | 16.7 | 15.2 | 13.3 | 11.5 | 9.9 | 8.4 |
| Earnings before income taxes | **71.6** | 87.3 | 77.2 | 49.1 | 44.5 | 40.0 | 33.8 | 37.7 | 42.9 | 33.5 |
| Income taxes | **30.1** | 34.6 | 31.9 | 17.9 | 18.2 | 16.2 | 13.8 | 15.6 | 20.6 | 16.5 |
| Net Earnings | | | | | | | | | | |
| Before extraordinary item | **39.9** | 50.9 | 44.1 | 30.9 | 26.0 | 23.5 | 19.6 | 21.8 | 22.0 | 16.6 |
| After extraordinary item | **37.9** | 50.9 | 44.1 | 33.0 | 26.0 | 23.6 | 18.6 | 21.9 | 22.0 | 16.7 |
| Working capital from business operations | **75.1** | 75.7 | 64.9 | 50.2 | 43.3 | 43.1 | 35.9 | 37.6 | 33.2 | 25.5 |
| **Financial** ($ millions) | | | | | | | | | | |
| Working capital | **154.9** | 89.1 | 97.2 | 119.1 | 102.8 | 98.9 | 92.4 | 104.2 | 72.3 | 72.1 |
| Current ratio (current assets: current liabilities) | **1.5:1** | 1.3:1 | 1.4:1 | 1.8:1 | 1.8:1 | 1.8:1 | 1.7:1 | 2.1:1 | 1.9:1 | 2.3:1 |
| Investment in fixed assets (net) | **63.8** | 47.9 | 33.8 | 24.2 | 22.9 | 23.3 | 54.9 | 21.3 | 22.5 | 36.8 |
| Total assets | **863.6** | 706.1 | 630.1 | 462.4 | 437.8 | 421.3 | 407.0 | 345.3 | 285.1 | 248.8 |
| Long-term debt | **213.3** | 102.2 | 113.1 | 88.0 | 94.0 | 98.1 | 100.3 | 79.6 | 51.2 | 51.0 |
| Shareholders' equity | **293.4** | 274.0 | 237.9 | 204.3 | 183.6 | 168.9 | 156.3 | 150.0 | 138.9 | 125.8 |
| Return on shareholders' equity (average) | **14.0%** | 19.9% | 19.9% | 15.9% | 14.8% | 14.5% | 12.8% | 15.1% | 16.6% | 14.8% |
| **Per share** ($) | | | | | | | | | | |
| Earnings | | | | | | | | | | |
| Before extraordinary item | ***2.84** | 3.65 | 3.20 | 2.25 | 1.90 | 1.72 | 1.43 | 1.60 | 1.62 | 1.40 |
| After extraordinary item | ***2.70** | 3.65 | 3.20 | 2.41 | 1.90 | 1.72 | 1.36 | 1.60 | 1.62 | 1.40 |
| Dividends | **1.44** | 1.26 | 1.056 | .888 | .832 | .80 | .80 | .80 | .80 | .72 |
| Shareholders' equity | **20.88** | 19.59 | 17.15 | 14.92 | 13.41 | 12.34 | 11.41 | 10.98 | 10.18 | 9.29 |
| **Other** | | | | | | | | | | |
| Number of shares outstanding (thousands) | **14,051** | 13,988 | 13,871 | 13,692 | 13,692 | 13,692 | 13,690 | 13,667 | 13,637 | 13,530 |
| Number of shareholders | **9,823** | 10,394 | 11,151 | 11,819 | 12,457 | 13,199 | 13,656 | 14,134 | 13,988 | 15,016 |
| Number of employees | **13,170** | 12,481 | 12,251 | 10,336 | 10,758 | 10,965 | 11,211 | 10,928 | 10,455 | 9,210 |

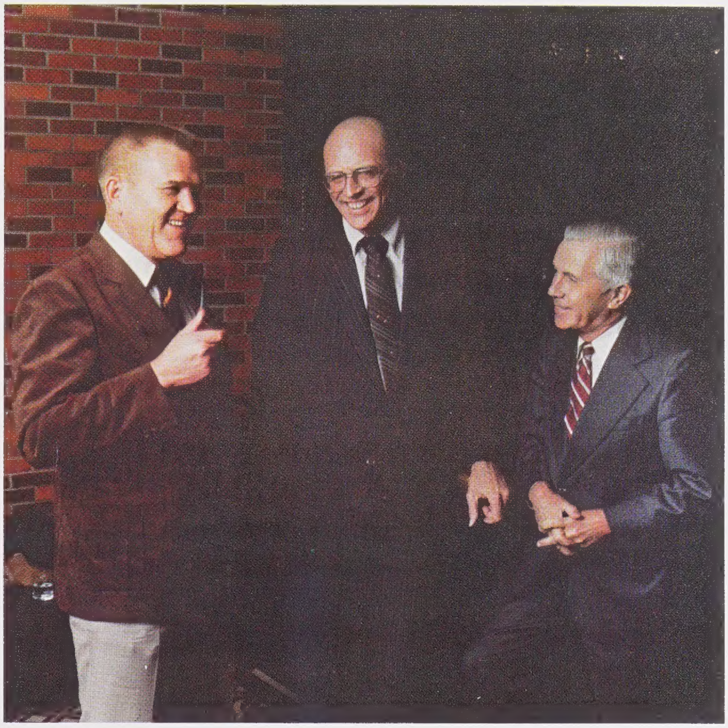
* $2.76 before extraordinary item and $2.62 after extraordinary item, on a fully diluted basis.

# Directors

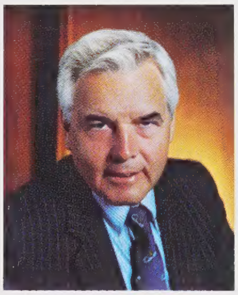
*(left to right)*
*Hon. H. deM. Molson,*
*D. Harvie,*
*R. C. McPherson,*
*J. Béliveau,*
*D. G. Willmot*

*(left to right)*
*J. D. Riley,*
*P. B. Stewart,*
*E. H. Molson*

*(left to right)*
*J. P. Gordon,*
*J. T. Black,*
*G. Plourde*

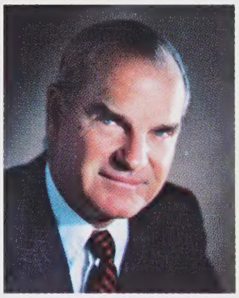


*(left to right) Dr. L. I. Barber, C. Perrault, W. R. Allen*



*A. G. McCaughey*

*T. E. Ladner*



*R. M. Barford*

**Directors**

W. R. Allen, Toronto
Barrister and Solicitor

Dr. L. I. Barber, Regina
President and Vice-Chancellor University of Regina

R. M. Barford, Toronto*
President, Valleydene Corporation Limited

Jean Béliveau, Montreal
Senior Vice-President, Corporate Affairs
Club de Hockey Canadien, Inc.

J. T. Black, Toronto
President and Chief Executive Officer

J. P. Gordon, Toronto
Chairman and Chief Executive Officer, Stelco Inc.

Donald Harvie, Calgary
Chairman, The Devonian Group

T. E. Ladner, Vancouver
Partner, Ladner Downs, Barristers and Solicitors

A. G. McCaughey, Toronto
President and Chief Executive Officer, North American Life Assurance Company

R. C. McPherson, Menlo Park
Dean of Graduate School of Business, Stanford University

E. H. Molson, Montreal
President, Molson Breweries of Canada Limited

Hon. H. deM. Molson, Montreal
Honorary Chairman of the Board

Charles Perrault, Montreal
President, Perconsult Ltd.

Gérard Plourde, Montreal
Chairman of the Board, UAP Inc.

J. D. Riley, Winnipeg
Director, United Canadian Shares Limited

P. B. Stewart, Toronto
Executive Vice President, Administration

D. G. Willmot, Toronto
Chairman of the Board

*effective May 25, 1981

**Honorary Directors**

Frank M. Covert, Halifax
Roger Létourneau, Quebec
N. E. Whitmore, Regina

**Board Committees**

*Executive*

D. G. Willmot, Chairman
J. T. Black
T. E. Ladner
Hon. H. deM. Molson
E. H. Molson
Gérard Plourde
P. B. Stewart

*Audit*

J. D. Riley, Chairman
Dr. L. I. Barber
T. E. Ladner
E. H. Molson
P. B. Stewart

*Pension Fund*

Charles Perrault, Chairman
W. R. Allen
Jean Béliveau
Donald Harvie
A. G. McCaughey
P. B. Stewart

*Management Resources and Compensation*

D. G. Willmot, Chairman
J. T. Black
J. P. Gordon
R. C. McPherson
Hon. H. deM. Molson
Gérard Plourde

# Officers

*(left to right)*
***J. T. Black,***
***D. G. Willmot***

*(standing left to right)*
***S. L. Hartley,***
***P. B. Stewart,***
***D. V. Pleshoyano,***
***L. R. Sinclair,***
*(sitting left to right)*
***A. L. Keyworth,***
***M. McCammon***

*(standing left to right)*
***C. R. Cook,***
***H. E. C. Stoneham,***
*(sitting left to right)*
***K. A. F. Gates,***
***W. J. Gluck***

**Corporate Officers:**

Hon. H. deM. Molson
Honorary Chairman of the Board

D. G. Willmot
Chairman of the Board

J. T. Black
President and Chief Executive Officer

A. L. Keyworth
Executive Vice President, Retail and Distribution Group

Morgan McCammon
Executive Vice President, Brewing Group

L. R. Sinclair
Executive Vice President, Chemical Specialties Group

P. B. Stewart
Executive Vice President, Administration

S. L. Hartley
Senior Vice President, Finance

D. V. Pleshoyano
Senior Vice President, Planning and Development

C. R. Cook
Vice President and Secretary

K. A. F. Gates
Vice President, General Counsel

W. J. Gluck
Vice President, Corporate Development

H. E. C. Stoneham
Vice President, Corporate and Employee Relations

W. A. Harshaw
Treasurer

D. V. M. Hull
Controller

Shirley A. Hoffman
Assistant Secretary

J. F. Osterman
Assistant Secretary

L. J. Régimbal
Assistant Secretary

**Senior Operating Officers:**

E. H. Molson
President, Molson Breweries of Canada Limited

J. Perry
President, The Diversey Corporation

A. C. Plant
President, Beaver Lumber Company Limited

N. M. Seagram
President, Seaway/Midwest Ltd.

D. K. Wilson
President, Willson Office Specialty Ltd.

# Operating Management

## BREWING GROUP

1555 Notre Dame Street East, Montreal, Quebec

**Molson Breweries of Canada Limited**
Montreal, Quebec
M. McCammon, Chairman
E. H. Molson, President
J. P. Rogers, Executive Vice President
C. Harari, Vice President, Industrial Relations
K. Laursen, Vice President, Personnel
J. F. Osterman, Vice President, Controller
Z. Valyi, Vice President, Production

**Molson Newfoundland Brewery Limited**
St. John's, Newfoundland
R. I. McKenzie, President

**Molson's Brewery Quebec Limited**
Montreal, Quebec
J. J. Allard, President
P. Crépin, Vice President, Personnel
P. Falardeau, Vice President and Director of Planning
A. L. Jones, Vice President, Production
L. J. Régimbal, Vice President, Administration and Secretary
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F. C. Mann, Vice President, Operations

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W. J. Bradley, Vice President, Production
D. H. Henderson, Vice President, Marketing
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B. E. Peterson, Vice President, Personnel
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*Saskatchewan:* H. R. Deeks, President
*Manitoba:* R. F. J. Deeb, President

**Molson Breweries International**
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H. H. Brace, President
R. D. Guest, Vice President, Administration and Planning
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**Club de Hockey Canadien, Inc.**
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J. Béliveau, Senior Vice President, Corporate Affairs
A. Collinson, Vice President, Finance
G. Grundman, Vice President, Operations-Administration

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R. Samson, Executive Vice President and Managing Director

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I. A. Cross, Vice President, Special Projects
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D. H. MacKinnon, Executive Vice President, Operations
E. A. Backhouse, Vice President, Marketing
G. Redston, Vice President, Client Services

## CORPORATE INFORMATION

The Molson Companies Limited
Incorporated under the laws of Canada

Registered office: 1555 Notre Dame Street East, Montreal, Quebec H2L 2R5

Executive office: 2 International Boulevard, Rexdale, Ontario M9W 1A2

Registrar: National Trust Company, Limited, Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver.

Transfer Agent: The Royal Trust Company, Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver.

Auditors: Coopers & Lybrand

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